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Letter dated 7 August 2003 from the Acting Chairman of the Security Council Committee established pursuant to resolution 1343 (2001) concerning Liberia addressed to the President of the Security Council

On behalf of the Security Council Committee established pursuant to resolution 1343 (2001) concerning Liberia, I have the honour to submit the report of the Panel of Experts on the possible humanitarian and socio-economic impact of the measures imposed by paragraph 17 of resolution 1478 (2003), prepared in accordance with paragraph 25 (c) of that resolution (see enclosure).

In this connection, the Committee would appreciate it if this letter and its enclosure were brought to the attention of the members of the Security Council and issued as a document of the Council.

(*Signed*) Ismael Abraão **Gaspar Martins**
Acting Chairman
Security Council Committee established
pursuant to resolution 1343 (2001) concerning Liberia

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Annex

Letter dated 30 July 2003 from the Chairman of the Panel of Experts on Liberia addressed to the Chairman of the Security Council Committee established pursuant to resolution 1343 (2001)

On behalf of the members of the Panel of Experts on Liberia, we have the honour to enclose the report of the Panel, prepared in accordance with paragraph 25 of Security Council resolution 1478 (2003).

(*Signed*) Atabou **Bodian**
Chairman
Panel of Experts on Liberia

(*Signed*) Arthur **Blundell**

(*Signed*) Damien **Callamand**

(*Signed*) Enrico **Carisch**

(*Signed*) Caspar **Fithen**

(*Signed*) Harjit Singh **Kelley**

Enclosure

Report of the Panel of Experts pursuant to paragraph 25 of Security Council resolution 1478 (2003) concerning Liberia

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Abbreviations

ECOWAS	Economic Community of West African States
FAO	Food and Agriculture Organization of the United Nations
FDA	Forestry Development Authority
FOB	Free on board
ILC	Inland Logging Company
IMF	International Monetary Fund
ITTO	International Tropical Timber Organization
LLWPC	Liberian Logging and Wood Processing Corporation
LFR	Liberia Forest Reassessment
LURD	Liberians United for Reconciliation and Democracy
MODEL	Movement for Democracy in Liberia
MWPI	Maryland Wood Processing Industries
NGO	Non-governmental organization
NPFL	National Patriotic Front of Liberia
OTC	Oriental Timber Company (Liberia)
RIIA	Royal Institute of International Affairs (UK)
RTC	Royal Timber Corporation
TTCO	Togba Timber Corporation
UNAMSIL	United Nations Mission in Sierra Leone
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WFP	World Food Programme

Summary

1. Pursuant to paragraph 17 of Security Council resolution 1478 (2003) of 6 May 2003, timber sanctions entered into force on 7 July 2003 to prevent the international trade of "all round logs and timber products originating in Liberia". As requested in paragraph 25 (c), this report assesses the possible humanitarian and socio-economic impact of the sanctions and makes recommendations on how to minimize any such impact.

2. When the timber sanctions entered into force on 7 July 2003, most timber companies in Liberia had already ceased operations due to the ongoing civil war. Operators feared for the safety of their workers and worried that their equipment would be looted by combatants. Some logging companies removed their equipment from Liberia and abandoned, at least temporarily, their concession, claiming that they had done this once they learned from the Panel that sanctions applied to all exports of forest products.

3. Armed non-State actors have contacted logging operators and non-governmental organizations (NGOs) to express their interest in resuming logging to generate revenue. In order to assess their intentions, the Panel has presented the Government of Liberia, the Liberians for Reconciliation and Democracy (LURD) and the Movement for Democracy in Liberia (MODEL) with a detailed questionnaire relating to their provisions for compliance with the timber sanctions. Answers to those questions were requested by 15 July 2003. The Panel has received neither answers nor information as to when answers will be forthcoming.

A. General humanitarian and socio-economic conditions

4. A detailed picture of the humanitarian and socio-economic status of the Liberian population in the period immediately leading to the timber sanctions could not be determined directly by the Panel of Experts because the prevailing security situation did not permit a mission to Liberia, which was under security phase V — evacuation. But reports by aid agencies and visits by previous panels of experts to Liberia provide sufficient evidence to unequivocally state that long before the sanctions came into force, the general humanitarian and socio-economic situation in Liberia was catastrophic. United Nations aid agencies reported that by the end of June, the population in camps for internally displaced persons had risen to over 250,000, and 9 out of 10 Liberians lived in absolute poverty. Liberians suffered from malnutrition and lack of access to safe drinking water and adequate sanitation. Liberia has been among the most food-insecure countries in the world; the United Nations Development Programme (UNDP) no longer ranks the country in its Human Development Index.

B. Humanitarian and socio-economic impacts of sanctions

5. The long-term degradation of the humanitarian and socio-economic factors that Liberians have endured must serve as a baseline before any additional burdens imposed on the country can be measured. But the assessment of the timber sanctions conducted by the Panel over two sanction-relevant weeks can only be an initial snapshot, and continued monitoring will be required to obtain a more accurate set of data.

6. The impact of the timber sanctions appears to have two contradictory elements. For example, the departure of some logging companies (the Oriental Timber Company (OTC), the Royal Timber Company (RTC) and the Maryland Wood Products Industry (MWPI)) has relieved many Liberians of human rights abuses, intimidation of local people and alleged sexual exploitation of women and girls. On the other side, losses of wages and indirect benefits may turn out to be a heavy burden for a population whose economic survival has long been threatened.

7. The exact nature of the humanitarian and socio-economic impact of the timber sanctions was investigated by the Panel on the basis of seven key factors, as set out below.

8. *Revenue and taxes*. Owing to a lack of transparency within the Government of Liberia, credible data on the timber sector are lacking, and it is difficult to determine the actual amount and disposition of the revenue raised. Sanctions may result in lost revenue in excess of $80 million, and lost taxes and bribes in excess of $20 million. Until contrary evidence is provided, it can be assumed that taxes and bribes enriched government officials, promoted corruption and furthered conflict in the region.

9. *Employment*. The size of the timber workforce potentially lost to sanctions is poorly documented, but it could be on the order of 5,000 to 8,000 people with an average annual income of $800 to $1,000. Given that the timber industry contributed 50 to 55 per cent of the country's income from exports, according to the Central Bank of Liberia, the affected employees and the regions in which they live are suffering a severe loss of income for which adequate replacement is not foreseen under the current conditions. Most skilled labourers were foreigners. There was high turnover of Liberian workers, some employment was seasonal as logging ceased during the rainy season, and many complained about the failure to receive their full wages. The benefits (and costs) afforded by logging were not shared equally, with rural ethnic groups the least well-served.

10. *Indirect benefits*. While the macroeconomics of eliminating 50 per cent of a country's commodity exports is on its face dramatic, the Panel has so far not been able to develop accurate information in support of any specific impact on indirect benefits.

11. *Social services*. The Government of Liberia has abrogated its responsibility to provide even the most basic social services. Private timber companies have met some of these needs; however, for most rural Liberians, they remain no better served.

12. *Human rights*. The departure of the most notorious logging companies, OTC, RTC and MWPI, provides relief, but other questionable logging operations remain and may continue to intimidate locals to get access to forests and otherwise threaten the human rights of Liberians. To assess the full human rights benefits of the timber sanctions, further investigations are required and may be possible only once peace and stability are established.

13. *Investment*. Investors remain generally optimistic about prospects for profitable logging operations in Liberia once good governance is established and peace and stability are restored.

14. *Environment*. The overexploitation of Liberia's forests threatens the long-term viability of the forest and the forest industry, as well as the lives, livelihoods and culture of Liberians who depend on the forest. Sanctions will reduce this risk. But the amount of land cleared for farming may increase because of the return of laid-off

workers and the increased access to abandoned concession areas by landowning rural communities.

C. Observations and recommendations

15. **The Panel wishes the following observations to be noted:**

- **The most obvious benefit of the timber sanctions is that armed State and non-State actors are deprived of timber revenue**
- **Violations of human rights, of rural Liberians in particular, associated with the timber industry will decrease, as will the overharvesting of Liberian forests**
- **The negative impacts associated with the stark reduction of export income and employment may have long-term consequences for the redevelopment of Liberia**
- **These negative impacts may currently be overshadowed by the negative effects of the civil war**

16. The risks and benefits of the timber industry were not shared equally among Liberians. Rural communities located within the concessions most directly affected by logging received few of the benefits. Few rural people were hired by the logging companies (less than 0.2 per cent of the population), and communities were no better served by clinics or schools, for example, whether they were inside or outside logging concessions.

17. **The Panel recommends that:**

- **In order to deprive all combatants of the benefits of war, the Security Council adopt the proposal of the Non-Governmental Organizations Coalition of Liberia to declare a moratorium on all commercial activities in the extractive industries (see annex I). The moratorium should remain in place until such time as peace and stability are restored and good governance is established.**
- **Increased emergency aid be provided to minimize the impact of sanctions while the timber industry is reformed. Part of the emergency response will require peacekeepers to ensure the safe provision of assistance, especially to rural areas that lack basic services.**
- **Over the long term, the United Nations and international donors help Liberia to reform the timber sector in order to achieve good governance, including the equitable distribution of risks and benefits, full participation in decision-making, transparent, efficient and accountable management and respect for the rule of law.**
- **The Security Council encourage Member States, civil society and United Nations field presences to monitor and report any violations of the timber sanctions. Monitors should be particularly vigilant at the most likely points of exit for timber from Liberia (the three primary seaports and the roads from Towa Town into Côte d'Ivoire, and from Ganta and Yekepa into Guinea).**

- **The Secretary-General be requested to report quarterly on the status of implementation of the timber sanctions and their effects on Liberians.**

Methodology of the investigation

Impediments to investigation

18. The entire six-member Panel met for the first time on 14 June 2003 in New York. The consultant for humanitarian and socio-economic aspects joined the Panel in Abidjan. Significant time constraints and security restrictions in Liberia limited the Panel's investigation. In addition, insufficient credible data on Liberia's timber industry as well as on the country's humanitarian and socio-economic situation has hampered the investigation.

Questionnaires

19. The Panel presented a detailed questionnaire to and requested information from the three parties currently at war in Liberia. The neighbouring countries and a number of additional States were approached by the Panel through their permanent missions to the United Nations and in visits to their capitals. The Panel also approached a large number of civil society organizations, both those located and active in Liberia as well as internationally active organizations. Much of the information requested was not provided.

Countries visited

20. The Panel travelled extensively to the countries involved, or believed to be involved, in the potential importation of Liberian timber and round logs. Owing to security phase V limitations, the Panel was not able to visit Liberia. However, panellists had visited Liberia in the past six months, and a number of representatives of logging companies, civil society groups and NGOs were met and interviewed in neighbouring countries. The Panel also met with the facilitators of the Accra peace conference and the Special Court for Sierra Leone. One or more members of the Panel visited Côte d'Ivoire, Denmark, France, Ghana, Guinea, Italy, Sierra Leone, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

Assistance from Liberians

21. In order to obtain first-hand accounts of the timber sanctions despite the impossibility of access to Liberia, the Panel interviewed a number of former Liberian logging workers who arrived in refugee camps in Côte d'Ivoire and Sierra Leone as recently as April and May 2003. Because of the delicate and rapidly shifting security situation in West Africa, the identity of these respondents will be kept confidential in the present report. For each unidentified source used for the report, the Panel has the full name, work history and current whereabouts.

Assistance from international and regional organizations

22. The Panel received useful cooperation and assistance from several international organizations such as the French armed forces Operation Licorne in Côte d'Ivoire, the United Nations Mission in Sierra Leone, the European Community, the European Commission Humanitarian Office, the Economic

Community of West African States, the Environmental Foundation for Africa, the International Rescue Committee, Medecins Sans Frontieres (France and Belgium), UNDP Liberia, the Office for the Coordination of Humanitarian Affairs, the United Nations High Commissioner for Refugees, Talking Drum Studios, the World Food Programme (WFP), the International Committee of the Red Cross, the Department for International Development (United Kingdom), the United States Agency for International Development, Amnesty International, Global Witness, the Save My Future Foundation, Save the Children Fund (United Kingdom), the Foundation for International Dignity, the International Transport Workers Federation, the Forestry Development Authority, Liberia Forest Reassessment, Fauna and Flora International, Conservation International, the Royal Institute of International Affairs and the United Nations Peace-building Support Office in Liberia.

Assistance from private commercial enterprises

23. The Panel received useful cooperation from a number of private enterprises, particularly West African-based logging enterprises such as OTC, the Inland Logging Company, RTC, Daba, Rudolph Merab (President of the Liberian Timber Association), the Liberian Logging and Wood Processing Corporation, the Togba Timber Corporation and the Mabow Logging Corporation.

Standards of verification

24. The Panel used the same high evidentiary standards in its investigations as in its previous reports (S/2001/1015, S/2002/470, S/2002/1115 and S/2003/498). Wherever possible, the Panel relied on fully authenticated documentary evidence. Where this was not possible, the Panel required at least two credible and verifiably independent sources of information to substantiate a finding. Where necessary, allegations against States, individuals and enterprises were put to those concerned to allow them the right of reply. In its efforts to present only irrefutable facts, the Panel has either omitted or clearly identified as unconfirmed all information for which it has not been able to find proper evidence.

Composition of the Panel of Experts

25. The Panel of Experts consisted of a timber expert, Arthur Blundell (Canada); a civil aviation expert, Atabou Bodian (Senegal); an expert with Interpol investigative and arms experience, Damien Callamand (France); an expert on financial links, Enrico Carisch (Switzerland); a diamond expert, Caspar Fithen (United Kingdom of Great Britain and Northern Ireland); and a maritime expert, Harjit S. Kelley (Kenya). Mr. Bodian was designated as the Chairman of the Panel. Assistance on humanitarian and socio-economic aspects of the timber ban was provided to the Panel by a consultant, Tommy Garnett (Sierra Leone).

I. Humanitarian and socio-economic impact of timber sanctions

A. Long-term humanitarian and socio-economic situation

26. Despite the limited sanctions imposed on the Liberian Government in 2001 for its involvement in supporting the Revolutionary United Front rebels in Sierra Leone,

many individuals, commercial enterprises and interest groups continued to profit from the Liberian logging industry. There is now sufficient evidence that diamonds, gold, timber and other resources have often been traded by rebel and government forces in exchange for arms. Those arms have been used by the warring factions to terrorize the local populations and in so doing secure total control of the local territories and all the natural resources.

27. The long-term chaotic conditions in Liberia have now reached the point at which the Panel of Experts no longer has access to the country. A detailed and realistic picture of the humanitarian and socio-economic status of the Liberian population in the period immediately leading to the timber sanctions could not be determined by the Panel, since the security phase V restrictions did not permit visits to Liberia.

28. However, in a previous socio-economic report on Liberia (S/2001/939), a previous Panel of Experts report (S/2002/1115) and an assessment of the more recent situation by emergency aid agencies operating in Monrovia and environs, as well as in media coverage of the Liberian crisis, some basic information has emerged.

29. The socio-economic status of the inhabitants of Liberia is one of extreme poverty and deprivation. Characterized by little or no infrastructural development in most rural areas, the localities lack electricity, a potable water supply system, adequate medical facilities and surfaced roads. Illiteracy stands at over 75 per cent, with most schools having been destroyed or vandalized during the conflicts. Existing schools are ill-equipped to provide even the most basic education. With no access to free education, many children have failed to complete their education owing to a lack of sponsorship or bursaries, as most parents can barely afford to feed their families. The United Nations Children's Fund (UNICEF) reported that the ongoing humanitarian crisis has translated into high malnutrition rates among children, lack of access to safe drinking water and adequate sanitation, and that 81 per cent of Liberian children aged 6 to 12 were not in school.

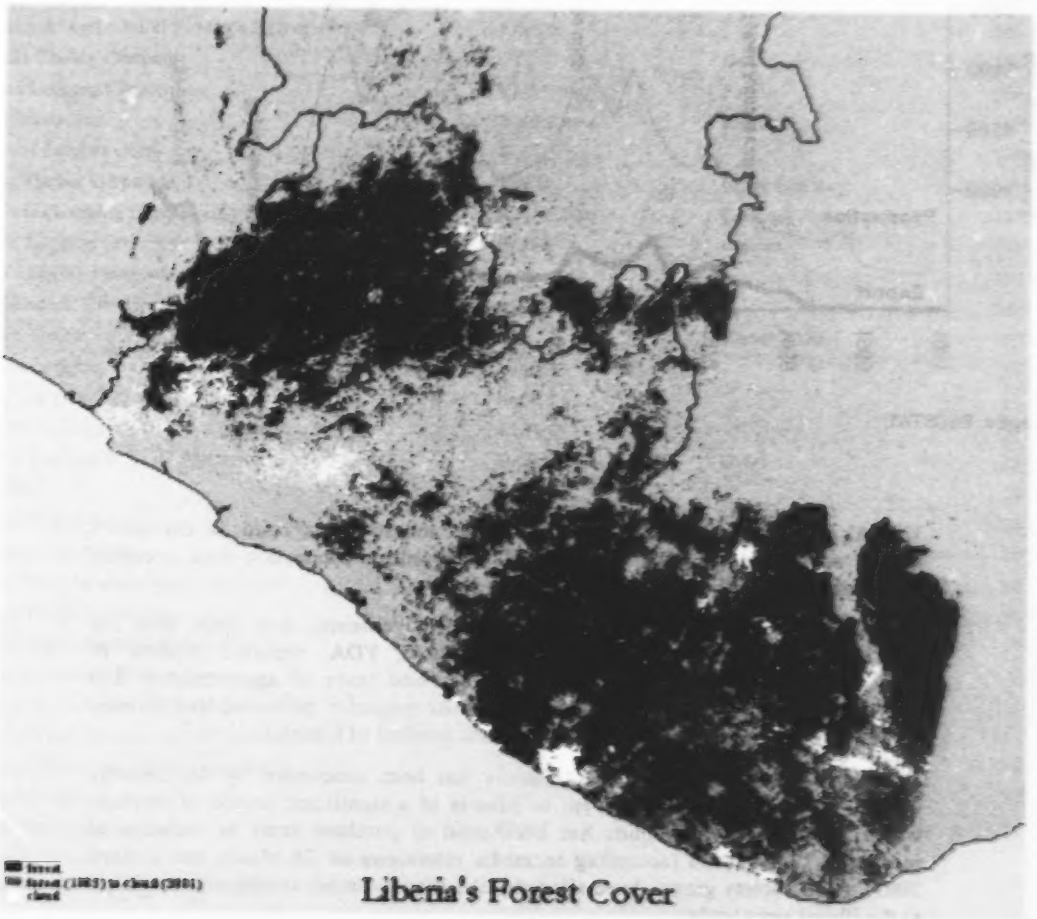
30. The war-ravaged economy means that over 80 per cent of the adult population are unemployed, depending almost entirely on subsistence agriculture, subsidized heavily by humanitarian relief assistance. This perhaps explains why the employment provided by the mineral mining and logging industries for a "lucky" few has been a lucrative (by Liberian standards) source of domestic income. In the last weeks before the timber ban, the European Community mapping team, on 22 June, reported that 133,969 internally displaced persons had been identified in temporary shelters in the greater Monrovia area and 118,400 in seven camps in Montserrado and other facilities in Bong, Margibi and Grand Bassa. A briefing paper prepared by WFP before the fighting intensified in May states that 9 out of 10 Liberians live in absolute poverty and of those, half live on less than $0.50 per day.

B. Background of the forest industry

31. In comparison to neighbouring countries, Liberia has substantial forest cover (about 40 per cent of land area, or 4.6 million hectares; see figure 1). This forest is the basis of a timber industry that has undergone three major periods of transition over the past 20 years. After President Samuel Doe seized power in 1980, a burgeoning industry achieved the highest harvest volumes yet experienced: in 1989, almost 3 million cubic metres of timber were produced (see figure 2). The industry stagnated during the civil war of the 1990s. But once President Charles Taylor

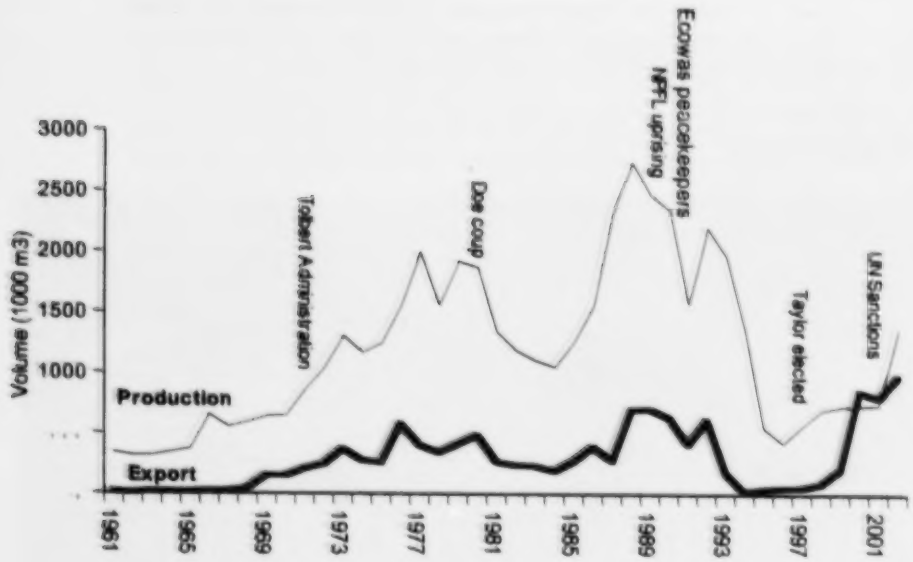
gained power in 1997, a resurgence began, establishing an important source of revenue for Taylor and his regime. Under presidential decree, concessions were awarded and a policy pursued that encouraged large-scale investment and reduced the proliferation of small logging concessions (Forestry Development Authority (FDA) annual report, 2001). This policy allowed the establishment of the Oriental Timber Company in 1999. This Asian company invested approximately $100 million, brought about 600 workers to Liberia, mainly Asian, and consolidated a number of concessions into a 1.5 million hectare operation.

Figure 1
Forest cover in Liberia, 2001



Source: Government of Liberia, Liberia Forest Reassessment.

Figure 2
Production and export volumes of the Liberian timber industry from 1961 to 2002 (cubic metres)



Source: FAOSTAT.

32. As at January 2003, the Liberian timber industry comprised 30 companies legally authorized by FDA (see table 1). The entire concession area occupied approximately 5 million hectares (see figure 3).

33. Liberia generally lacks transparency in governance, and trade data are unreliable and conflicting. One official source, FDA, reported exports of approximately $80 million for 2001, with assessed taxes of approximately $19 million. The Intelligence Unit of *The Economist* magazine estimated that forestry accounted for 22 per cent of the gross domestic product of Liberia.

34. Since July 2003, the timber industry has been sanctioned by the Security Council to deprive the Government of Liberia of a significant source of revenue, which President Taylor admits has been used to purchase arms in violation of resolution 1343 (2001) (according to media interviews on 28 March and 2 April 2003). Civil society groups have alleged that Liberian timber companies are linked to the illegal arms trade.

Table 1
Timber companies operating in Liberia

Company	*Acronym*	*Ownership*	*Concession area (hectares)*
Oriental Timber Company	OTC	Wong, Kouwenhoven	1 245 130
Mohammed Group of Companies	MGC	Salame	476 343
Royal Timber Company	RTC	Kouwenhoven	424 159
Maryland Wood Processing Industries	MWPI	Fawaz	327 542
Natura Liberia Incorporated	Natura	Wong, Kouwenhoven	313 865
Liberia Logging & Wood Processing Corporation	LLWPC	Charafeddine	248 351
Forestry & Agricultural Products Corporation	FAPCO		241 318
Cavalla Timber Company	CTC	Doe	212 063
United Logging Corporation	ULC	Fawaz	208 952
Bin-Liberia, Inc.	Bin-Liberia	Salame	189 959
Tropical Lumber Corp.	TLC		170 055
Togba Timber Corporation	TTCO	Charafeddine	130 551
Rivercess Logging Company/Sovereign Timber Company	RLC/STC	Cooper	117 846
Inland Logging Company	Inland	Cooper	114 956
Jasus Logging Company	Jasus LC		109 350
Southeastern Timber	SET		107 849
Akkari Timber Inc.	ATI	Kamel Akkari	100 351
Yekepa Logging Industry	Yekepa		87 242
Karel Logging Corporation	Karel LC		84 397
Associated Logging Timber Company	ALTCO		71 280
DABA Logging & Wood Processing, Inc.	DABA	Dassi	49 217
Bodeco	Bodeco		29 067
Mabow Logging Corporation	Mabow/DGL	Grange	25 110
Westmart Timber Inc.	Westmart		20 277
Tutex Wood Management Corporation	Tutex		14 175
Cestos Timber Company	CESTOS		11 024
Liberia Agricultural Industrial Products	LIAP		9 720
Tropical Logging Corporation	Trolog		5 265
Iberic Liberia Forest Corporation	ILFC	Ruiz	
Liberia Wood Management Corporation	LWMC	Merab	
America Wood Processing Corporation	AWPC		
Xoanon Liberia Ltd.	XLL		
Forest Hill Company	FHC	Haikal	
Forum Liberia Inc./Exotic Tropical Timber Enterprises	FORUM/ETTE		
North Eastern Logging Corporation	NELCO		
RETCO	RETCO		
LLWPS.WARCO	LLWPS.WARCO		
CRI	CRI		
SMI	SMI		
FTC/B & SON (TRANSSHIP)	FTC/B		

Company	Acronym	Ownership	Concession area (hectares)
Liberia Timber Industries	LTI		
Ras Timber Corporation	Ras TC		
SLDC	SLDC		
GAMMA Logging	GAMMA		
Fomaco	Fomaco		
RGMM	RGMM		
CBN	CBN		
ILC/ATI	ILC/ATI		
PTET	PTET		
Total			**5 145 415**

Source: Government of Liberia, Liberia Forest Reassessment.

Figure 3
Logging concessions in Liberia

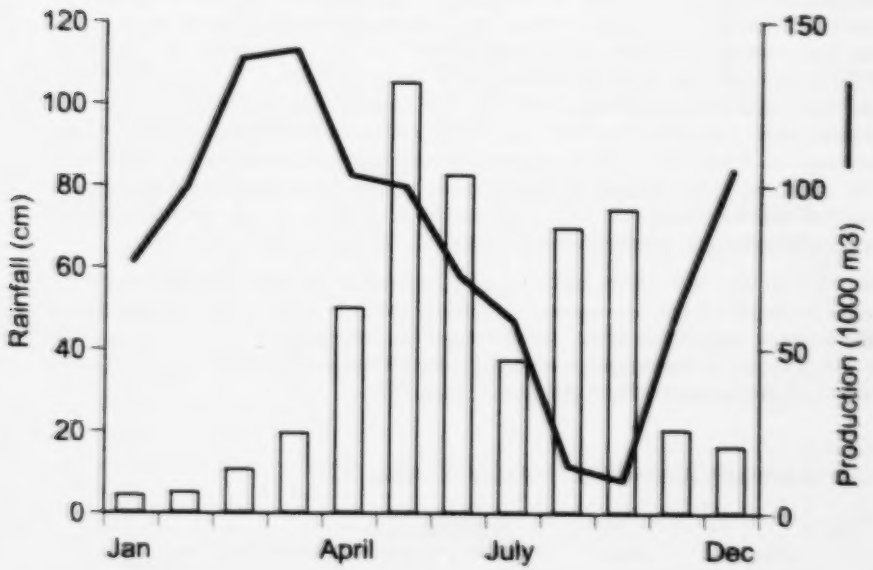
Source: Government of Liberia, Liberia Forest Reassessment.

C. Forest industry after sanctions

35. At present, few concessions are commercially active owing to weather and war. The rainy season typically halts activity from June to November (see figure 4). More important, however, few concessionaires are operating because of the ongoing civil war. Many companies have moved their equipment to Monrovia to prevent looting by rebels. As far as the Panel can determine, only the Liberia Logging and Wood Processing Corporation/Togba Timber Corporation (LLWPC/TTCO) of Grand Gedeh, Grand Kru and River Gee counties is still operating. MODEL soldiers now occupy forest concessions, and they may choose to engage logging companies to begin operating illegally. Similar activity could resume after the rainy season in areas controlled by LURD. If Taylor's forces can secure forest areas, the Government of Liberia may also attempt to resume logging. The Security Council sanctions aim to prevent the resumption of such logging.

36. The present report assesses the impact of timber sanctions, assuming that they are successful in preventing the Liberian industry from resuming activity at the January 2003 level. The report first examines the financial, social, human rights, investment and environmental impact and then makes recommendations to minimize it.

Figure 4
Monthly rainfall and production in Liberia in 2001



Source: Forestry Development Authority

D. Impact assessment

1. Revenue and taxes

Growth

37. The Liberian timber industry has grown dramatically since 1996 (see table 2). Officials report that exports, predominantly raw logs, rose from 25,000 cubic metres to almost 1 million cubic metres by 2002. The OTC group captured almost half the trade (see table 3).

Trade data

38. A complete understanding of the industry is difficult because the trade data are not credible. There is a considerable discrepancy among "official" statistics (see figure 5). For 2001 exports, the Central Bank of Liberia and FDA differ by more than $30 million. France and other European countries reported substantially greater trade than FDA, whereas China reported less (see table 4). Officials estimate that taxes were approximately a quarter of export value. However, interviews with senior officials confirm that FDA has received only one third of the assessed taxes (see table 5).

Missing taxes

39. In 2001, at least $17 million per year in taxes remained unaccounted for. There are three primary explanations for this, namely: (a) companies remain in arrears; (b) taxes were paid in kind; and (c) taxes were misappropriated. There is evidence for the latter two explanations. For example, OTC claims to be given tax credits of $20,000 per mile for roads built (the cost of building roads is $15,000 to $30,000 per mile). In addition, between 1999 and 2001, Deputy Finance Minister of Revenue Juanita Neal demanded that OTC pay $7.5 million to a network of foreign bank accounts, $1.5 million of which was used to purchase military goods and services in lieu of taxes. "This amount is due in taxes to the Government of Liberia. Flag receipts will be issued [to] your cooperation as evidence of payment, as soon as acknowledgement is received from the bank" (S/2003/498, paras. 153-155).

40. Given this lack of transparency, it is impossible to determine the amount of taxes collected by the Government of Liberia and how those revenues were spent. The strategic importance of the timber industry is demonstrated by the fact that FDA is not reported in the budget produced by the Ministry of Finance and the Central Bank of Liberia (see S/2002/1115, annex, para. 192).

Table 2
Government of Liberia timber industry statistics

	Production	*Export*	*FOB value*	*Price per cubic metre*	*Tax due (United States dollars)*		
Year	*Cubic metres*		*United States dollars*		*Total*	*Per cubic metre*	*Percentage of FOB value*
1996	28 739	24 257	3 762 797	155	251 167	10	7
1997	74 976	49 463	7 525 594	152	1 032 482	21	14
1998	157 098	80 646	12 288 133	152	2 975 353	37	24

Year	Production	Export	FOB value	Price per cubic metre	Tax due (United States dollars)		
	Cubic metres		United States dollars		Total	Per cubic metre	Percentage of FOB value
1999	326 976	204 971	22 569 231	110	5 677 573	28	25
2000	934 160	637 399	67 505 116	106	20 680 237	32	31
2001	982 265	773 612	79 888 927	103	19 036 132	25	24
2002	1 363 861	981 123	not available	–	not available	–	–

Source: Forestry Development Authority.

Table 3

Government of Liberia statistics for timber companies operating in 2001

Company[a]	Concession area (ha)	Employees	Production (m^3)	FOB value (US dollars)	Area (ha)	Volume (m^3)	Value (dollars)	Percentage of concession logged[a]
					Per employee[a]			
OTC	1 245 130	4 500[b]	484 088	43 252 047	441	140	11 711	7.8
MGC	476 343	500	36 426	2 557 697	953	73	5 115	1.5
RTC	424 159	[b]	42 120	3 767 040				2.0
MWPI	327 542	350	76 418	6 408 986	936	218	18 311	4.7
Natura	313 865	[b]	103 918	5 678 262				6.6
LLWPC	248 351	200	20 533	1 640 408	1 242	103	8 202	1.7
FAPCO	241 318	50	2 930	207 827				0.2
CTC	212 063	200	14 208	1 145 005	1 060	71	5 725	1.3
ULC	208 952	200	33 208	2 869 682	1 045	166	14 348	3.2
Bin-Liberia	189 959	250	36 292	218 234				3.8
TLC	170 055	50	2 133	180 880	3 401	43	3 618	0.3
TTCO	130 551	400	6 225					1.0
RLC/STC	117 846	50						
Inland	114 956	500	45 029	5 752 453	230	90	11 505	7.8
Jasus LC	109 350							
SET	107 849							
ATI	100 351	150	7 281	450 204	669	49	3 001	1.5
Yekepa	87 242	50	383	4 528				0.1
Karel LC	84 397							
ALTCO	71 280							
DABA	49 217	200	8 416	658 976	246	42	3 295	3.4
Bodeco	29 067							
Mabow/DGL	25 110	100	7 722	934 232	251	77	9 342	6.2
Westmart	20 277							
Tutex	14 175	60	3 699	523 020	236	62	8 717	5.2
CESTOS	11 024	50	1 551					2.8
LIAP	9 720		514					1.1
Troiog	5 265		1 587	26 660				6.0
NELCO		100	391			4		

Company[a]	Concession area (ha)	Employees	Production (m^3)	FOB value (US dollars)	Area (ha)	Volume (m^3)	Value (dollars)	Percentage of concession logged[d]
					Per employee[c]			
PTET			676					
RGMM			1 105	65 491				
LLWPS/WARCO		50	1 259					
GAMMA			1 381	87 977				
FHC		50	3 157	271 371		63	5 427	
AWPC		150	5 012	290 058		33	1 934	
XLL		150	5 367	458 182				
ILFC		100	14 415	1 392 118		144	13 921	
LWMC		200	14 821	915 590		74	4 578	
CBN		50						
Average					**600**	**113**	**9 934**	3.2

[a] Refer to table 1 for complete company names.
[b] OTC, RTC and Natura are combined.
[c] Panel's calculations based on FDA and LFR data.
[d] Panel's calculations based on timber density of 5 cubic metres per hectare (*source*: OTC stand maps).

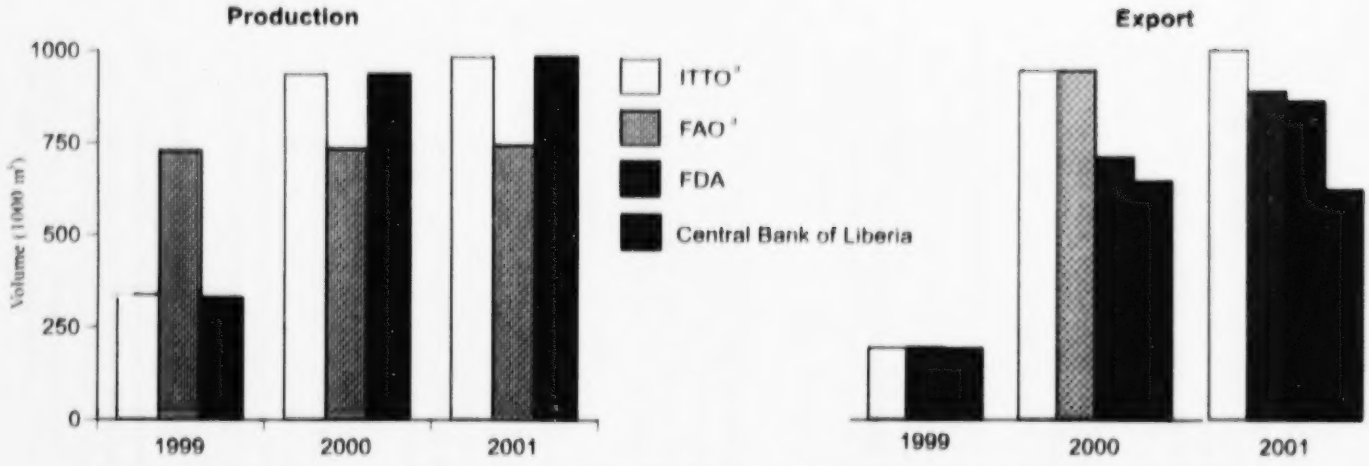
Table 4
Government of Liberia and importer country statistics for timber trade from Liberia

Importer	Volume (m^3) declared by:	
	Liberia	Importer
China	451 877	313 413
France	98 694	124 628
Italy	48 822	50 190
Turkey	37 614	*
Greece	23 892	*
Germany	21 008	19 100
Indonesia	20 730	*
Malaysia	17 573	*
Senegal	11 000	*
Spain	10 824	*
Morocco	8 141	*
Netherlands	7 030	9 600
Côte d'Ivoire	6 782	*
Britain	2 555	*
India	2 511	*
Belgium	2 013	*
Tunisia	1 304	*
Portugal	1 242	23 600

Source: Forestry Development Authority and International Tropical Timber Organization.
* Not reported.

Figure 5

Discrepancies among "official" trade statistics for the timber industry of Liberia



Source: International Tropical Timber Organization (ITTO), Food and Agriculture Organization of the United Nations (FAO), Forestry Development Authority (FDA), Central Bank of Liberia.

* Based on Government of Liberia data.

S/2003/779

Table 5
Government of Liberia statistics of assessed revenue for the timber industry

Year	Land rental	Reforestation	Conservation	Research	Severance	Industrialization incentive fund	Forest product fee	Total	Taxes due to FDA	
									Assessed	Received
2000	6 203 884	4 670 791	3 384 920	934 160	1 401 241	4 085 241	-	20 680 237	12 201 543	
2001	6 709 254	3 576 917	2 375 332	648 654	1 473 439	4 176 168	76 368	19 036 132	10 068 522	3 597 709

Note: The Forestry Development Authority collects half of the land rental, all of the reforestation, conservation and research taxes, 2 per cent of the severance and industrialization fund and none of the forest product fee; the remainder is available to the general treasury of Liberia.

Source: Forestry Development Authority annual reports, 2000 and 2001.

2. Employment

Poor workforce documentation

41. The size of the timber workforce in Liberia is poorly documented. However, the industry claims to have employed approximately 8,500 people in the forest, sawmills, plywood mills and other operations (or one person for every $9,900 in annual revenue and 113 cubic metres harvested). ITTO in 2003 estimated a workforce of 5,000 to 8,000 people, up to half of them non-Liberians.

Quality of jobs

42. The jobs were seasonal, as rain suspends operations from June to November. Most workers returned to their families, relying on subsistence agriculture. However, owing to civil unrest, farming is no longer as viable an option.

Importance of timber jobs

43. These jobs were considered important because they represented some of the few wage-earning opportunities (according to people interviewed by the Panel of Experts). Nonetheless, OTC experienced high turnover in its Liberian workforce. It claimed that 7,000 people were required to fill 4,500 jobs because employees failed to return to work.

Wages

44. Pay rates varied depending on workers' skill and bonuses (for example, OTC tree finders were paid a bonus of 30 cents per tree, and fellers 40 cents for each tree harvested, according to those interviewed by the Panel). The rate for labourers was $50 to $250 for 25 to 28 days of work per month, and averaged $800 to $1,000 per year.

Payment schedules

45. In addition to pay, payment schedules varied. MWPI workers interviewed complained that they were often unpaid ("paid for one month, even though I worked two"). MWPI often paid salaries only when it received the proceeds of rubber sales in Côte d'Ivoire, which led to delays. In contrast, former employees admitted that other companies, such as RTC, paid regularly and for 10 months a year (according to the Panel's interviews with industry and refugees in Côte d'Ivoire and Sierra Leone).

Economic significance

46. Given that Central Bank of Liberia statistics show that the timber industry contributed 50 to 55 per cent to the country's export commodity income, the affected employees and the regions in which they live will suffer a severe loss for which adequate replacement is hardly possible under the current conditions.

Liberians disadvantaged

47. Few Liberians were skilled labourers; most were from Asia and elsewhere in Africa (primarily Côte d'Ivoire, Burkina Faso and Ghana). Few skilled workers were Liberian because companies complained that literate Liberian males of working age were in short supply due to the effects of civil war, the lack of schooling and internal displacement. For concessions along the border with Côte

d'Ivoire, many of the unskilled labourers were Ivorian. Presumably, foreign workers sent wages home and thus contributed less to the local economy than Liberians. For example, OTC paid Asian workers 25 per cent of their $450 monthly salary in Liberia and transferred the remainder to their homes abroad.

Risk and benefit sharing

48. The risks and benefits of the timber industry were not shared equally by Liberians. Few locals were hired from the rural communities that were most directly affected by logging. Research by Liberia Forest Reassessment (LFR) found that less than 0.2 per cent of rural populations were employed by the timber industry.

3. Indirect benefits

Dependents of wage earners

49. In Liberia, wage earners often support family members (the average household size ranges from 9 to 16, according to LFR data). Estimates of dependents should consider the prevailing extended family tradition in Liberia. The head of the family is not necessarily obliged to provide for the basic needs of all the extended family members. Rather, assistance to more distantly related family members can come in the form of one-off contributions in cash or in kind. Therefore, the number of direct dependents may be much fewer than the average household size.

Retail industry

50. While the real return rate of the earnings, legitimate or illegitimate, resulting from the timber exports is unknown, it is certain that a significant share of these funds at some point had to flow through the retail industry as part of purchases by timber companies, their suppliers or employees.

Seaports and imports

51. With the exception of the Port of Monrovia, shipping into Liberia was controlled by timber interests. According to informants of the Panel, the ports have been managed neither fairly nor to the advantage of the economy of Liberia. An immediate and considerable positive impact will be noted at the Buchanan, Greenville and Harper seaports, which have been under the control of OTC, ILC and MWPI respectively. The Panel of Experts reported previously about such lack of transparency and accountability on the part of Alphonso Gaye, Managing Director of the National Port Authority, who declined to cooperate with the Panel's investigation (S/2003/498, para. 99).

Reduction of imports

52. The reduction of shipping traffic to Liberia resulting from the timber sanctions will constrain the importation of all kinds of goods to Liberia.

4. Social services

No social services provided by the Government

53. In general, the Government of Liberia has left the provision of social services to international aid agencies. In 2001, President Taylor pledged to return 25 to 50

per cent of taxes to the local communities located within concessions, but this forest revenue-sharing scheme remains unimplemented.

Social services provided by private sector

54. Partly because of newly established laws, the private sector has been required to assume some of the burden of providing social services. While working, some employees of the timber industry sometimes received food, housing and medical services. These contributions may have been part of the contractual obligation of the employer, although sometimes they were charged against employee salaries.

Contributions by companies

55. The Panel has identified additional contributions made by individual companies:

(a) OTC built and maintained a 50-bed hospital in Buchanan, staffed by 2 expatriate general doctors, 2 surgeons and 69 medical and non-medical workers. Preference was given to expatriate OTC staff. Adults were charged 50 Liberian dollars (US$ 10), children L$ 25 (US$ 5) per consultation, plus the cost of drugs — that is, twice the price of service at the local public hospital. OTC also ran a farm to raise produce for its workers. The Inland Logging Company renovated civilian facilities and a school in Greenville. MWPI operated a clinic at its camp and renovated Tubman Technical College in Harper (FDA annual report, 2001).

Road building and transportation

56. Many logging companies reported building roads, and FDA claimed that a total of 1,000 kilometres of roads were built in 2001. However, they were maintained only as long as the area was being logged. In some cases user fees were charged. The Togba Timber Corporation (TTCO) maintained a ferry connecting Harper with Côte d'Ivoire until fighting erupted and the ferry was damaged. TTCO is currently repairing the ferry.

Humanitarian contributions by companies

57. During recent fighting in June and July, TTCO claims to have shipped 30 tons of food from its San Pedro, Côte d'Ivoire, headquarters as humanitarian relief to its employees and the local population of Maryland County.

Overall benefits of timber companies

58. Communities inside timber concessions appear to benefit no more than those outside. In a survey of households in Nimba, Grebo and Cestos, most (more than 90 per cent) had no access to clean water, latrines and clinics. According to the LFR surveys, the presence of an operational timber concession had little effect, outside of providing a few jobs (less than 0.2 per cent of the local population).

5. Human rights

Abuse of local communities

59. The Save My Future Foundation, among other civil society groups, has documented human rights abuses, such as intimidation, beatings and arrests of local

residents and farmers by security forces of logging companies, affiliated Liberian military personnel and local militias. Refugees related similar accounts: logging companies promised basic services in exchange for access to forests, but then failed to meet the promises. When locals protested, security services or military troops were sent to violently quell unrest. For example, allegations were made by locals in Worteken and Cavalla, as well as in Boroboh Township in May 2003, that the military entered the townships to intimidate locals in March 2002. These allegations warrant further investigation.

Timber for arms

60. A previous Panel of Experts provided incontrovertible evidence that $1.5 million worth of timber taxes and fees had been misused to pay for military goods and services (see S/2003/498, paras. 152 and 153 and table 6). The elimination of all timber income will prevent its use to acquire arms.

Child exploitation

61. Preliminary and unconfirmed information obtained by the Panel indicates that employees may have frequented under-aged prostitutes and, in some instances, young boys may have been used as farm labourers on fields owned by OTC.

New human rights concerns

62. The stark increase of unemployment among timber workers creates a new set of human rights concerns. Unemployed workers may be tempted to join militias while others, now impoverished, may be subject to human rights abuses by combatants and other employers who pay less well.

6. Investment

Departure of major loggers

63. The departure of OTC, RTC and MWPI before the commencement of the sanctions on 7 July is the most visible response by investors to the new risks resulting from hostilities and sanctions.

Investor attitude to reform of industry

64. Some investors of smaller forest enterprises who were disadvantaged under President Taylor expressed satisfaction and relief to the Panel about the departure of OTC, RTC and MWPI and hope as a result of the sanctions that an eventual resumption of logging is possible under reformed supervisory agencies, fair market conditions and an overall improvement in Liberia's humanitarian situation. The Panel has no reliable data on investors' intentions to comply with the current timber sanctions nor has any information been confirmed about possible attempts by LURD or MODEL to renegotiate timber concessions or to support sanction-busting activities.

Willingness to resume

65. Some concessionaires situated in Liberia and elsewhere, including logging companies currently active in Côte d'Ivoire, expressed to the Panel great interest in

operating or resuming operations once the fighting ends and good governance is established.

7. Environment

Value of forests

66. Forests are one of Liberia's most valuable assets. Most Liberians depend significantly on the forest for food, fuel and location of their swidden fields. Furthermore, the forest is a cultural focus for many indigenous Liberians, who use it as a location for ceremonies where the young are taught the skills necessary for adulthood and are educated about the forest and its uses.[1] Poorly managed logging threatened the forests and thus the lives, livelihoods and culture of Liberians.

Overexploitation

67. It appears that large producers (those producing more than 30,000 cubic metres per year) harvested on average 4.7 per cent of their concession (see table 3). Overexploitation by large producers was above the legal limit (see box 1).

Box 1
Large timber companies appear to overexploit their concessions

According to Liberian regulations, concessionaires are required to operate on a 25-year cutting rotation. Thus, they may harvest only 4 per cent of their concession in any given year.

On average, large operators (those producing more than 30,000 cubic metres per year) appear to be cutting above this rate (see table 3). Overexploitation has been increasing, given that official production statistics for 2002 were 27 per cent greater than for 2001 (see table 2).

These conservative exploitation rates were calculated by assuming that timber density was 5 cubic metres per hectare — a density greater than that on almost all of the maps of OTC annual cut blocks shown to the Panel of Experts.

Additional effects of exploitation

68. Forest exploitation has additional effects, from forest fragmentation, erosion and an increase in bushmeat hunting as logging roads increase access.

Effects of agricultural activities

69. A range of authors have identified the effects of slash-and-burn agriculture as particularly destructive to rain forests. The Environmental Foundation for Africa states that 2 per cent of forests are destroyed annually as a result of growing populations, shifting cultivation increases and the farming cycle of upland rice. The amount of land cleared for farming may increase because of the return of laid-off workers and the increased access to abandoned concession areas by landowning rural communities.

II. Observations and recommendations

A. Significant reform required to prevent timber revenue from funding conflict

70. Given that the Government of Liberia has failed to demonstrate how timber revenue is used, it must be assumed that it and non-State actors will continue to exploit the resource to foment conflict. The collapse of peacekeeping in Liberia in 1996 was linked to the efforts of combatants to gain revenue from natural resources.[1] Letters sent to environmental NGOs and people interviewed by the Panel of Experts suggest that MODEL wants to engage loggers to exploit timber illegally.

71. Before logging should resume, significant reform is required in forest governance. Good governance will require policies that are participatory, transparent, accountable, effective and equitable and that promote the rule of law (as per UNDP good governance guidelines). This will require time and effort. Therefore, the Security Council should maintain the timber ban until governance in Liberia has improved. These conditions will not be met under the current regime.

72. In the short term, logging poses a large risk that: (a) the establishment of legal trade will have the perverse effect of facilitating illegal logging: and (b) parties will misappropriate the revenue and fund conflict. Failed attempts at controlling logging and revenue flows in other countries provide valuable lessons regarding the premature resumption of logging in Liberia (annex II). It will not be possible to alleviate suffering through the immediate resumption of resource extraction.

B. Long-term change versus short-term impact

73. Getting the conditions right to resume logging will require considerable time, but the immediate impact of timber sanctions must be minimized. The private sector should not be expected to provide basic services, such as schools and clinics, that are properly the responsibility of the State. Given that the Government of Liberia has abrogated its responsibility to provide assistance, the international community must serve an important role in providing humanitarian relief. The Security Council must accept its responsibility for the negative impact of the timber sanctions and ensure that emergency relief aid is provided.

C. Emergency humanitarian assistance

74. An international intervention force must immediately enter Liberia and undertake the demilitarization, disarmament and reintegration of combatants.

75. The international community should increase funding to assist humanitarian organizations providing medical care, including operating hospitals and clinics formerly operated by the timber industry.

76. The international community should provide emergency funding for humanitarian organizations to provide food and education and to assist with reconstruction, and should cooperate with development organizations to provide alternative employment strategies, such as offering microcredit programmes.

77. This assistance should extend to rural Liberians, especially those near concessions that especially lack these basic services.

78. The United Nations should assist the National Port Authority to retain control over the three ports that have recently been run by timber companies.

D. Compliance with sanctions

79. To ensure that sanctions are not violated, the Security Council should immediately empower a coalition of timber companies, NGOs, representatives of intervention forces and the Panel of Experts to monitor illegal logging and exports in violation of paragraph 17 of resolution 1478 (2003). Representatives of the intervention forces and the Panel of Experts can be replaced by representatives of the interim Government as soon as it is in place. In particular, the coalition should focus on monitoring Liberia's four main ports as well as the land crossings to Côte d'Ivoire, at Towa Town, and to Guinea, at Yekepa and Ganta.

80. The Security Council should request Member States, especially the neighbours of Liberia, to monitor and report violations to the Council and its Panel of Experts. The Committee should consider requesting Member States to respond to a targeted questionnaire on sanctions implementation, which could be based on the model developed by the Stockholm Process on the Implementation of Targeted Sanctions (see annex III).

81. The Security Council should encourage civil society, international intervention forces and United Nations field presences to be vigilant for shipments of timber from Liberia and to report any suspected violations.

82. The Panel of Experts should continue to assess compliance with the sanctions and report to the Sanctions Committee.

83. The mandate of the Panel of Experts should include the monitoring of the humanitarian, social and economic impact of timber sanctions on Liberians. To promote transparency, the Council should provide quarterly briefings on the status of implementation of the timber sanctions to Member States and civil society.

E. Long-term reform to promote good governance of forest resources

84. The immediate implementation of the above recommendations should minimize the impact of timber sanctions. However, over the long term, efforts to produce good governance in the forest sector should be supported.

F. Participatory and equitable forest economy

85. Any reform of the forestry sector must involve stakeholders from across Liberian society. The benefits accrued from logging must also be shared across society, and not just to enrich certain populations. The Government of Liberia must implement the forest revenue-sharing scheme to return taxes back to the local communities located within forest concessions.

G. Transparency

86. Reform will require opening the sector to public scrutiny. The Government of Liberia should immediately submit to a full financial audit of FDA as required in paragraph 10 of Security Council resolution 1408 (2002). The complete results must be made public.

87. FDA must publish regular reports (see box 2). To corroborate this information, each timber company must publish the same regular reports.

Box 2
Reporting to promote transparency and good governance

The Forestry Development Authority and logging operators must publish annually, as required by Liberian law, the following for each company:

- The location and ownership of all concessions — in order to know where it is legal to harvest
- How these concessions were awarded — to ensure that only legitimate transactions are conducted
- For each annual coupe (cut block), a map of the location of all commercial species — to know the volume of wood available for harvest
- Volumes and values of the harvest, production and export of all timber products (processed and unprocessed) by species — to know what was harvested and how much tax should be assessed
- All tax assessed and paid, including services provided in lieu of taxes — to ensure that all taxes are collected
- All charges and violations, arrests, fines and penalties paid — to determine whether enforcement is practised

88. The Government of Liberia and FDA must establish independent, third-party monitoring of logging activities. Such initiatives might include establishing a round table comprising the timber industry, civil society and donors to ensure stakeholder participation. Liberia Forest Reassessment may serve as a useful model.

89. The Liberian Timber Association should develop a procurement policy to commit its members to ensuring that only legally harvested timber is traded (see annex IV). International buyers, such as the Association technique internationale des bois tropicaux, should adopt a similar procurement policy.

H. Effective enforcement

90. FDA admits that it does not have the capacity to monitor and police the industry. There has been little political will within the Government to see that the laws and regulations of Liberia are enforced. Without enforcement, and with

widespread illegal activity, it becomes difficult for legitimate operators to compete. It is a classic case of the concurrent failure of the Government and the market.[2]

91. The Government of Liberia must give FDA adequate resources and equipment to fulfil its mandate. In particular, officials require vehicles to inspect logging sites. (At present, FDA relies on logging companies to provide transportation — a clear conflict of interest.)

92. The Government of Liberia and FDA should continue to develop Liberian management capacity by providing staff with training and by sponsoring students at the University of Liberia.

93. Until legal wood can be segregated from illegal wood, it must be assumed that illegal wood will enter the supply chain and that combatants may gain revenue from the illegal exploitation of timber resources. To segregate wood, timber companies must maintain a chain of custody of all harvested logs, from the concession through processing to the point of export (see box 3). To ensure that they are not in receipt of illegally harvested timber, international buyers, such as Pinault Bois et Materiaux, DLH Nordisk A/S and Global Star (Asia) Trading Ltd., should demand that producers demonstrate a legal chain of custody.

Box 3
Chain of custody

The chain of custody is the process by which the source of a timber product is verified by tracking it from the forest through all the steps of production until it reaches the end-user. The Forestry Stewardship Council requires a chain of custody for all of its operators (covering more than 40 million hectares). To do this, there are hundreds of private sector companies that can provide the chain of custody, some for as little as $1 to $2 per cubic metre. Chain-of-custody tracking can be as simple as bar codes on logs, technology commonly used by courier services.

The chain of custody must be audited by an independent party.

- An audit rate of 10 per cent can be employed
- If the audit fails to demonstrate that the wood was extracted from a legal concession, then the shipment is seized and the company's audit rate doubles
- If the company continues to fail, then its concession is revoked
- However, if the company demonstrates legal acquisition on subsequent shipments, then the audit rate will be relaxed
- Thus, bad actors are punished, good actors rewarded, and the timber supply chain is kept free from illegal wood

I. Accountability

94. The Government of Liberia must investigate and pursue appropriate fines, penalties and prosecutions through FDA and the Liberian legal system. This has not been occurring. FDA has not reported any fines or penalties paid by the industry for at least the past two years.

95. The Government of Liberia must improve oversight of FDA. Such initiatives might include establishing a civilian review board to monitor activity and the use of revenue.

96. The Government of Liberia should review the conduct of the National Port Authority, as well as customs and inspection authorities, and prosecute those involved in illegal activities and fraud.

97. The Government of Liberia must investigate and prosecute those involved in incidents of violence involving security forces against local communities and other human rights abuses. The Government of Liberia must ban the use of armed security forces. Instead, timber companies must be afforded police protection to secure vulnerable resources, such as fuel depots.

98. FDA and timber companies must clarify guidelines for security forces associated with logging operations, using the United States Department of State/United Kingdom Foreign and Commonwealth Office Voluntary Guidelines on Security and Human Rights as a framework (see http://www.hrw.org/reports/2003/indon0103/Indon0103-18.htm#P1100_291259).

99. To protect the rights of local communities, especially regarding their access to natural resources and participation in decision-making regarding natural resources, the Government of Liberia should ratify the International Labour Organization's Convention No. 169 concerning Indigenous and Tribal Peoples in Independent Countries (see http://www.hrw.org/reports/2003/indon0103/Indon0103-19.htm#P1222_309955).

Notes

[1] Ellis, Stephen. 1999. *The Masks of Anarchy*. New York: NYU Press.

[2] Brack, Duncan, ed. "WTO implications of an international timber licensing scheme". London: Royal Institute of International Affairs, 2003.

Annex I

Proposal by the Non-Governmental Organizations Coalition for Liberia for an immediate moratorium on all commercial activities in the extractive industries in Liberia

10 July 2003

The International Contact Group on Liberia
The Mediator and Facilitators of the Ghana Peace Talks
Representatives of Governments at the Ghana Talks

Your Excellencies:

Please find attached a **proposal for an immediate moratorium on all commercial activities in the extractive industries in Liberia**. This proposal was developed and is being submitted by the Non-Governmental Organizations Coalition for Liberia otherwise known as the NGO Coalition for Liberia.

This proposal endorses the present United Nations Security Council sanctions on Liberian timber and timber products. However, it also seeks an extension of the sanction regime to cover all commercial activities in the extractive industries and would remain in force until the conflict is resolved and a new national government elected.

We fully acknowledge the humanitarian impacts this would have, however, we are of the conviction that short-term and temporary loss of lowly paid jobs in this sector pales in comparison with the humanitarian catastrophe that is unravelling in Liberia and the subregion. Already the majority of the Liberian people have either been forced into exile, internally displaced or presently seeking asylum and forced to live under extremely difficult circumstances. Economic and financial benefits that accrued to the different factions from the commercial exploitation of Liberia's natural resources in the 1990s enriched the different actors and became a major disincentive for peace; this must not be allowed to happen again.

The NGO Coalition of Liberia presently comprises of three Liberian NGOs; the Save My Future Foundation (SAMFU), The Environmental Lawyers Association of Liberia (GREEN ADVOCATES) Inc., and the Grand Gedeh Community Servants Association (GECOMSA). We have however, circulated this proposal to other NGOs both in Liberia and abroad, therefore the membership of the coalition is expected to increase in the coming days.

If there are any questions please do not hesitate to contact us directly through the above contacts.

We look forward to your consideration of our proposal.

Sincerely yours,

Silas Kpanan'Ayoung Siakor
for the Secretariat

Proposal for an immediate moratorium on commercial activities in the extractive industries in Liberia

Throughout the Liberian crisis, different parties to the conflict at different times have exploited the natural resources of Liberia, especially timber and diamonds, and used the revenue to finance their military activities. At these times, the revenue has effectively served as a disincentive for peace for the hierarchy of the various factions and civilian politicians serving in interim administrations.

Recognizing the continuing deterioration of the present phase of the Liberian crisis, the continuing humanitarian catastrophe that will result from further conflict, and the negative environmental, social and economic impacts of insufficiently monitored logging and mining operations during the interim period leading to national elections, the Non-Governmental Organizations Coalition for Liberia calls on all parties, including the warring parties and representatives of civil society, to the ongoing conflict and peace negotiations to agree to an immediate moratorium on **all commercial activities in the extractive industries in Liberia**. This moratorium shall include, but shall not be limited to:

1. Commercial timber extraction, processing and export activities;[a]
2. Diamond mining, domestic trading and export; and
3. Gold mining.

And to agree that this moratorium shall remain in effect until the following conditions are fully satisfied:

1. General elections are held and a national government with control over the entire country inaugurated;
2. The power to ratify concession agreements is returned to the Liberian legislature as provided for in the Liberian constitution;
3. The elected Liberian government can satisfy all the conditions for and is permitted to participate in the Kimberley process; and
4. Forest law enforcement and governance institutions and mechanisms are rehabilitated and functional throughout the country.

The coalition also calls on the International Contact Group on Liberia and the Facilitators and Mediator at the Ghana Peace Talks to:

1. Acknowledge that revenue from the continuous exploitation and trade of Liberia's natural resources would serve as a disincentive for the parties in the search for a peaceful settlement;
2. Integrate this proposal into the agenda for the ongoing negotiation;
3. Ensure that environmental concerns, especially forest management issues, are included in the deliberations;
4. Ensure that the final agreement provides for an immediate moratorium on all commercial activities in the entire extractive industry in Liberia;

[a] This shall exclude timber harvested for domestic use.

5. Expressly urge all existing concessionaires and those interested in investing in Liberia's extractive industry to abide by the terms of this memorandum; and

6. Ensure that the interim administration(s) that succeed the current government abide by the above recommendations.

The United Nations Security Council should:

1. Review its ban on member States importing Liberian timber and timber products to incorporate the provisions of this more comprehensive moratorium; and

2. Call on all its member States to respect and enforce the moratorium.

Background

During the last 14 years the Liberian civil war has claimed more than 300,000 lives and displaced more than a million people. Throughout this terrible crisis, the warring parties have financed themselves through the exploitation and export of the country's natural resources especially timber and diamonds. The revenue derived from these natural resources have permitted the warring factions to prolong and sustain the conflict further exacerbating the security and humanitarian crisis in the country and by extension the entire subregion.

Various studies have established a clear link and relationship between the exploitation of natural resources and the spread and consolidation of the civil conflict in Liberia. It is also clearly established that all of the warring factions either traded at one point in the conflict or are presently trading in natural resources to fund and sustain their war activities. Interestingly, some of the heavily contested territories are areas that are naturally endowed.

On a broader scale, natural resources especially timber and diamonds, are at the core of much competition, corruption, and conflict between citizens, various levels of government and the private sector in Liberia. Also, given their importance to household livelihoods and local level well-being, access to valuable natural resources is the bread-and-butter issue that democracy and good governance must deliver on. It has also been the single most important issue associated with the widespread abuse and violation of human rights in Liberia. As such, they offer a unique and powerful lens to promote systemic governance reforms. Hence, improving environmental governance is crucial to institutionalizing fundamental democratic principles in Liberia, such as public participation, representation, and accountability during these crucial times.

Hence, the proposal to impose an immediate moratorium on commercial activities in the extractive industry in Liberia comes against the background of past experiences and existing realities. So far, there has been no indication or reason this practice will not continue when the ceasefire agreement is finally put into place. It must be emphasized that natural resources remain Liberia's most important sources of wealth and power. They drive the national economy, corporate profits, and household incomes. Gaining access to Liberia's natural resources has always been a justification for seeking public office and considered a reward for winning public office. Once in office those same resources generate riches for the powerful and are

used for patronage purposes to stay in power. We strongly believe that a peaceful Liberia requires that we put an end to this trend.

To support the search for peace and promote democracy and good governance while protecting Liberia's biological diversity, an immediate moratorium on commercial activities in the entire extractive industry is necessary so that access to these resources do not serve as a disincentive for peace.

Annex II

Inability of outside institutions to produce good forest governance

International agreements

1. No international forestry convention exists that prevents the trade in illegal timber.

2. The diamond trade has a mechanism that attempts to ensure that revenue does not fuel conflict (i.e., it eliminates "blood diamonds" from trade): the Kimberley Process. Compliance has been a severe problem in Sierra Leone, which has a fully functional United Nations presence (the United Nations Mission in Sierra Leone). It is alleged that Liberian diamonds are receiving false Sierra Leone certificates of origin.

Private sector assistance

3. To ensure compliance with laws and regulations, independent third parties, such as the Forest Stewardship Council, exist that assess whether timber is being harvested in a manner that is legal and ecologically, socially and economically responsible. Although the Council has "certified" almost 40 million hectares, including almost 1.2 million hectares in Southern Africa, there are no certified forests in West Africa.

4. It is highly unlikely that any legitimate organization will certify Liberian timber products until the country is under good governance, it is safe to operate in the forest and guarantees can be provided that revenue is not fuelling conflict, conditions unlikely to be present in Liberia in the short term.

International financial institutions

5. Elsewhere, institutions such as the World Bank and the International Monetary Fund (IMF) have attempted to use their influence to reform governance when logging has been shown to support military governments and foster corruption. However, their performance does not inspire confidence for a constructive role in Liberia. For example:

- *Indonesia.* Since 1998, the World Bank and IMF have made assistance to Indonesia "conditional" on eliminating illegal logging and reforming revenue flows. These conditions have gone largely unheeded, yet assistance has continued. "In terms of results in the forests, which is the ultimate measure of achievements, there have been no tangible improvements. The rate of forest loss has not abated. The situation in the forests remains grave by any measure, and the donors remain seriously concerned."[a]

- *Cambodia.* In the 1990s, the international community became concerned with widespread corruption and military involvement in the timber industries of Cambodia and Myanmar. In an attempt to ensure the compliance of Cambodia with promised forestry reforms, the World Bank and IMF insisted on a number of conditions for assistance. One condition was the formation of a Forest Crimes Monitoring Unit, composed of inspection teams from the Forestry Department, the Ministry of Environment and an independent monitor, the NGO Global Witness. The Cambodian forest sector was described by the Asian

Development Bank as a total system failure.[b] The Monitoring Unit documented several cases of illegal activity. Monitors were intimidated, including receiving veiled threats from government officials, and were physically attacked.[c] Despite protests by IMF, the World Bank, and the United States State Department, the Government of Cambodia recently fired Global Witness, claiming that the monitor was "hostile and unfair in its reports about illegal logging".[d] Required audits of timber companies remain incomplete and illegal logging continues.[e]

Notes

[a] European Union Commission for the Interim Consultative Group on Indonesia, "Policy Dialog for the Creation of a Conducive Environment for Sustainable Management of All Types of Forest in Indonesia" (position paper presented the interim CGI meeting in Jakarta, 23 April 2001).

[b] Kollert, W., Dillon, T. and McNaughton. Asian Development Bank, TA 3152-CAM Forest. 2000. Concession Review: Evaluation of the Draft Report and Recommendations for Follow-up Action.

[c] "Staffer of British environmental group attacked in Cambodia", Associated Press, 4 May 2002.

[d] "Cambodian Prime Minister Hun Sen to 'terminate visas' for Global Witness", Agence Kampuchea Presse, 25 December 2002; "Cambodia Faces World Bank Action for Move against Environment Monitor", http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,date:12-30-2002~menuPK:34461~pagePK:34392~piPK:34427~theSitePK:4607,00.html#Story4.

[e] World Bank, Cambodia Environment Monitor 2003, http://lnweb18.worldbank.org/eap/eap.nsf/Attachments/Cambodia+Environment+Monitor+2003/$File/CEM+2003+5-29.pdf.

Annex III

Model questionnaire for Member States based on the findings of the Stockholm Process on the Implementation of Targeted Sanctions

Security Council resolutions 1343 (2001) and 1408 (2002), adopted under chapter VII of the Charter of the United Nations, require all States to report to the Committee on the mandatory measures contained therein. It is the responsibility of all States to implement and enforce those measures. The Sanctions Committee created by the Security Council in its resolution 1343 (2001) is mandated to monitor the implementation of those measures. The Committee stands ready to advise States, if requested, on all issues related to the implementation of resolution 1478 (2003). The Sanctions Committee would appreciate your assistance, and expects to learn from your experience to improve the implementation of targeted sanctions.

Reporting on implementation

In compiling their reports, States should aim to provide clear and substantive information. In addition, the Committee would appreciate it if reports were as factual and complete as possible. In particular, States should provide information on the following:

What ministry or agency in your State is responsible for the implementation of these targeted sanctions (preventing the importation of round logs and forest products originating in Liberia)? How do we contact it? Please provide phone, fax, address and e-mail information.

What legislative and/or administrative measures, if any, have the authorities in your State taken to implement the targeted sanctions required by the Security Council in its resolution 1478 (2003)?

What penalties apply in your State for violation of the measures contained in paragraph 17 of resolution 1478 (2003)? Please send the Committee a copy of the most recent relevant legislation or administrative measures pertaining to their implementation. If any such legislation or administrative measures have recently been proposed or are being contemplated, please provide further details thereof.

What measures has your State taken to prevent the supply, sale or transfer of the goods and services listed in paragraph 17 of resolution 1478 (2003)?

Additional measures

Would your State be willing or able to provide assistance to other States to help them implement the measures contained in resolution 1478 (2003)?

What financial and human resources has your State allocated to the implementation of these sanctions?

Are you or other officials in your State aware of instances of sanctions evasion? If so, please describe them in as much detail as possible.

Would there be any technical or legal restrictions to your cooperating with United Nations monitoring or investigative bodies with respect to these sanctions?

The Sanctions Committee would, in addition, welcome the submission of any other information concerning investigations or enforcement actions related to your efforts to enforce and strengthen the measures imposed under domestic laws or regulations to prevent and punish violations of the measures contained in resolution 1478 (2003). Please include any other relevant information in your reports. You may also include general observations, concerns or requests for assistance related to the implementation of the measures contained in resolution 1478 (2003).

The Sanctions Committee appreciates your most valuable response within 14 days.

Annex IV

Sample procurement policy

1. The long-term goal is to ensure that all wood products originate from verified well-managed forests.

2. The first step in achieving this goal will be to require all suppliers to fulfil the following minimum requirements:

- The timber used must be produced in compliance with current laws and forest practice codes in the country concerned
- The timber used must not be taken from ancient forests or other high-conservation-value forests, unless the forest area is certified according to the Forest Stewardship Council's principles and criteria or an equivalent system

3. Suppliers will be notified of this purchasing requirement by first of ___ 200X, and will require implementation at the latest by the first of ___ 200X.

4. The second step in achieving this goal will be to extend the above requirements to suppliers of other wood products. This process will start at the latest by 200X.

5. In order to verify achievement of the above steps, the supplier will establish a system that allows it to trace wood in its products back to specific forest management units.